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JUSTICE FOR DANIEL CLAMAN AND BRUCE SWARTZ

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SUBJECT: KAZAKHSTAN: RESULTS OF BOTA FOUNDATION BOARD MEETING

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11. (U) Sensitive but unclassified. Not for public Internet.

12. (U) This cable contains an Action Request. See para 13.

13. (SBU) SUMMARY: The BOTA Foundation held a meeting of its Board of Trustees in Almaty on April 29-30. All the items on the fully packed agenda were reviewed, with many wide-reaching and important decisions taken regarding operations of the Board. The Foundation's implementers (IREX and Save the Children) presented well structured recommendations, and the Board of Trustees adequately debated and approved them. The next Board meeting will be scheduled for July or August. Action by the Department of Justice (DOJ) to seek release of funding is requested. END SUMMARY.

BOARD MEMBERSHIP

14. (U) The Board of Trustees was represented by its five Founders (Yevgeniy Zhovtis -- Chair and only present on the second day; Zhamilya Naugmanova -- Acting Chair; Sergey Zlotnikov; Khakim Sadvakasov; and Akmira Sadykova) and two government representatives (Pietro Vetro -- Swiss Government Representative; and John Morgan -- U.S. Government Representative). BOTA Foundation staff (led by Executive Director Chris Cavanaugh) was well represented, including several observers from the implementers' home offices. John Innes (World Bank observer) joined by DVC on the first day.

15. (U) The meeting began with presentations on the Conditional Cash Transfer, Social Services, and Tuition Assistance Programs, as well as an overview of the monitoring and evaluation activities proposed by the BOTA staff. On the second day, the presentations and discussions covered administrative, financial, and communications issues.

CASH FOR THE MOST NEEDY WOMEN AND CHILDREN

16. (U) The purpose of the Conditional Cash Transfer Program, in addition to improving the health and well-being of poor mothers and

children through direct financial support, is to create increased demand for social services for people living in poverty. With increased awareness of appropriate standards of care and service, the poor will begin to look to their government to provide continued access to vital social services. The focus will be on pregnant and lactating women, school attendance (particularly pre-school), and children with disabilities. The initial program grants will provide funding to target women who take action to mitigate the impact of anemia. The Board evaluated data and agreed to conduct programs in the Kyzylorda and Akmola Oblasts. This decision enables the BOTA staff to finalize their operational plans, contingent upon the release of funds (by the U.S. courts).

¶17. (U) The Social Service Program is the least developed element being pursued by BOTA. The Board voted to increase the flexibility of this Program and the BOTA staff was directed to define the grant structure by the next Board meeting, expected to be held in July or August.

STRONG DEMAND FOR EDUCATION ASSISTANCE AMONG POOR

¶18. (U) The Tuition Assistance Program has proven to be a major success. With a relatively low budget (and thanks to the dedicated work of BOTA staff), the Program has been announced and the Foundation has received over 1,500 applications for the 100 anticipated scholarships to be awarded. When the application data has been entered into a database, 300 candidates with the lowest income levels will be selected for interviews. The list of 300 will be determined through a proxy means test, which considers household assets, household consumption, and household profiling. A selection committee of 15 independent experts will be formed. This committee will further screen the applicants through personal interviews (preferred approach) or structured telephone interviews (where travel cannot be easily accomplished). The Board was satisfied with the quality and diligence of the BOTA staff in running this

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Program.

¶19. (U) Although the BOTA staff had prepared a substantive proposal for monitoring and evaluation, all agreed that any effort to evaluate impact would require substantially more than one year's efforts. The logical framework approved by the Board was thorough and well structured. Noting the range of issues, the Board nevertheless applauded the staff's efforts and encouraged them to continue refining the process.

¶110. (U) A thorough discussion of administration, finance, and communications issues was conducted on the second day of the Board meeting. The Board approved a staff structure of up to 64 staff and tentatively approved a salary structure. Board concerns about expatriate staff costs and the local salary structure illustrated the Board's due diligence and concerns on how to answer any public questions about the "cost of doing business." The Board approved efforts by the staff to pursue simplified procurement procedures with the World Bank. The staff have produced responses to frequently asked questions about BOTA to facilitate any public statements by the BOTA Board and staff.

NEXT STEPS

¶111. (U) The Board concurred with a number of plans for the near-term. First, a press conference will be called after World Bank and Board approvals of the annual workplan, which is likely to occur in June or July. Some minor refinements of the BOTA Operations Manual were approved. Also, the BOTA Staff were directed to submit monthly financial reports to the Board for review. And finally, due to the sensitive nature of upcoming operational decisions, the Board agreed to move meetings to a quarterly basis and to restrict meetings to one day in length.

¶112. (SBU) COMMENT: As with any Board, the complexities of its disparate members' interactions can impede efficient operations. For example, Board discussions were occasionally hampered by comments from Sergey Zlotnikov that were not on point. The Chair, however, repeatedly guided the discussion back on track. In any

event, Zlotnikov ultimately voted with the consensus of the other Board members. Another issue impacting participation of Board members is their availability. Akmira Sasdykova was unable participate on the second day. Additionally, Khakim Sadvakasov said he has difficulty getting approval from his supervisor to participate in the Board meetings. The Board agreed to provide an endorsement letter (signed by the Board Chair and the BOTA Executive Director) requesting his participation -- with the anticipation that this would alleviate this problem. Even with these issues, the Board is acting responsibly and with due deliberation on its actions. END COMMENT.

¶13. (U) ACTION REQUEST: Though these crucial deliberations are completed, BOTA remains limited in operations until the release of its funding. The Board was informed that the Government of Kazakhstan had met its reporting requirements, and that DOJ must now provide its timely approval of these reports and get approval from the U.S. courts to authorize the first tranche of funding. We request that DOJ expedite that approval.

MILAS